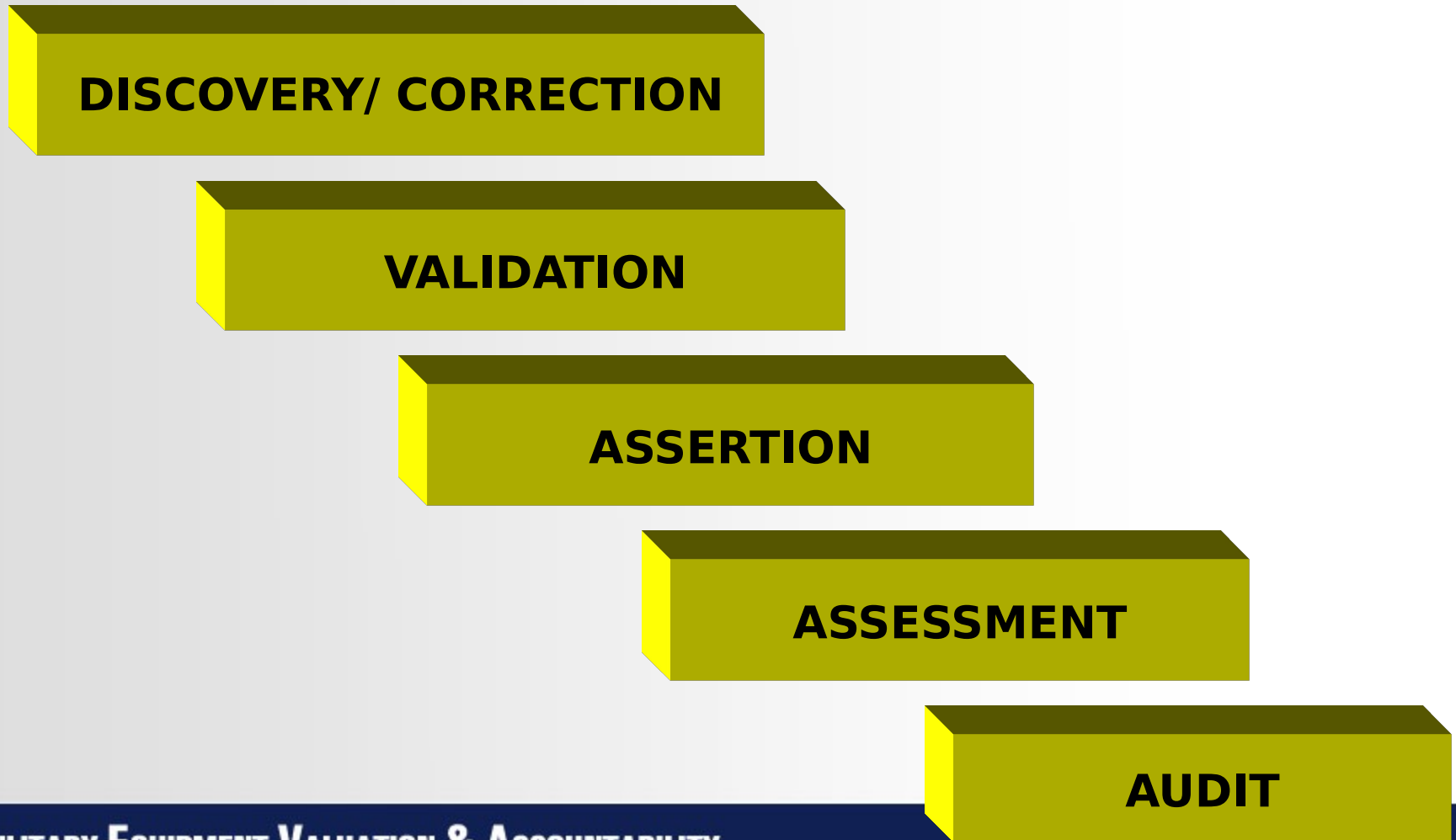


# Audit Readiness/Accountabil ity Plans

# The IG's Top 5

- **Aircraft: Preponderant use/imputed costs**
- **Useful Life**
- **Existence**
- **Valuation: documentation methodology**
- **Associating expenditures with programs**

# Audit Readiness: 5 Phases



# Assertions

- ***Existence***: that reported equipment exists
- ***Completeness***: that which exists is Reported
- ***Valuation***: that equipment is valued (full cost)
- ***Rights and Obligations***: that DoD owns the equipment
- ***Presentation and Disclosure***: that equipment is reported IAW the Accounting Standards

# DISCOVERY AND CORRECTION

## WHY?

- **Correct deficiencies**
- **Plan solutions to produce accurate data**

## HOW?

- **Identify problem areas, including DoD issues and systems**
- **Talk to domains & allotment holders**
- **Involve DFAS**
- **IG, Audit Agencies, GAO**
- **Get copies of other entities plans—see what you might have missed.**
- **Partner with other entities to achieve**

**Success**

# VALIDATION

## WHY?

- Provide basis for informed management assertion
- Ensure corrective actions achieved resolution
- Save unnecessary /assessment audit costs

## HOW?

- Reduce risk of failed audit.
- Management requests
- Performed by IR or external audit firm
- Coordinate and obtain comment from IG
- Document processes, controls, systems
- Ensure supporting documentation is available
- Use tools: Talk with other entities.

# ASSERTION PHASE

## WHY?

- Inform IG and Transfer Information
  - Documented processes, controls, systems
  - Staff available to support auditors
- Inform ESC

## HOW?

- Prepare Assertion Package for IG, DoD
  - Respond to IG, DoD/OUUSD(C) instructions
  - Complete checklist
  - Include results of validation and reports
  - Have staff available to support auditors
  - Send copy of package to OUUSD(C)

# ASSESSMENT

## WHY?

- Assess evidence of management's assertion
- Determines quality of controls
- Determines availability of evidential matter
- Yields a "Go" or "No Go" decision
- Reduce risk of unknowns (auditors)
- Introduction to organization (auditors)

## HOW?

- Approved by ESC
- Conducted/Overseen by OIG
- If pass, schedule for audit through ESC

approval  
process



# AUDIT

## WHY?

- Required by CFO Act
- Provide decision-makers good information on:
  - Assets and liabilities
  - Cost visibility
  - Internal controls
- Supports an unqualified Defense-wide opinion

## • HOW?

- Pass Assessment
- Good management plan for audit
- Know how you will support your audit
- IG oversight of Independent Public Accountants

# Military Equipment Accountability Improvement Plans (ME AIPs)

# Military Equipment Accountability Improvement Plans

## **Problem Statement**

*DoD does not yet have the ability to meet military equipment existence requirements for audit because it lacks a systemic, enterprise-wide, headquarters-level capability to uniquely identify military equipment assets, manage those assets over their life-cycle, and relate those assets to their financial value.*

# Military Equipment Accountability Improvement

## **The Requirement:**

Military Equipment Accountability Improvement Plans (ME AIPs) to be submitted December 31.

## **The Plan:**

We need to be able to answer this question: "*Where is this specific asset?*"

- If a Component can answer that question based on an ASR(s) then the plan should identify when the assets in the accountability system will be given UIIs and when the accountability system can be interfaced with the IUID Registry.
- If a Component cannot answer that question based on an ASR(s) then the plan should identify when such an accountability system will be available.

## **The Focus:**

The ME AIP is intended to deal with accountability systems that contain assets IAW DoDI 5000.64, not with the assets themselves. The MEAIP is only to address asset identification and accountability system to IUID registry interface.

# Accountability Improvement Planning

## Military Equipment Accountability Improvement Plans (MEAIPs)

Table I	ME assets currently managed w/in an ASR(s)	Table II	ME assets <u>not</u> currently managed w/in an ASR(s)
1	How do you plan to execute updates to the DoD IUID Registry? - <i>Include plans for using the DoD WAWF for asset updates.</i>	1	What is required to manage your ME end item assets in an ASR(s), and be in position to initiate IUID Registry integration planning?
2	What S/W changes are needed to achieve integration, and are the SCRs currently funded?	2	When do you estimate this will commence?
3	If the SCRs are unfunded, what is the rough order of magnitude to complete this interface?	3	What do you estimate the costs will be?
4	What is the expected effective date of system integration (Component ASR to IUID Registry)?		
5	What policy changes are needed to implement the new business processes associated with achieving system integration?		
6	When do you estimate the business process will be fully in effect?		

# Improving Accountability Systems

- Attributes of good accountability system of record (ASR) are defined by DoD Instruction 5000.64
  - DoDI 5000.64 states that an ASR must provide a complete audit trail of all transactions beginning at receipt and acceptance through disposal or retirement of asset
- A November 8, 2006 memo from the Under Secretary of Defense AT&L required each DoD Component to develop and submit Accountability Improvement Plans (AIPs)
  - For systems that meet the DoDI 5000.64 requirements: when and how to connect to the IUID Registry
  - For systems that do not meet DoDI 5000.64 requirements: when and how to develop a compliance

# An Integrated Strategy

Service Designated System	ME Assets Managed in Service Systems <i>IAW DoD I 5000.64</i>	Initial Load of Legacy ME in IUID Registry	ME Assets Maintained Current via Service System-IUID Interface
<b>Army</b> PBUSE	<b>Jun 08</b>	<b>TBD</b>	<i>Interface not planned until Enterprise environment</i>
<b>Navy</b> ▪NVR (Ships) ▪AIRRS (Aircraft) ▪CBSS (Craft & Boat)	<b>Current</b> <b>Current</b> <b>TBD</b>	<b>May 07</b> <b>Sep 07</b> <b>TBD</b>	<b>Flat File Update</b> <b>Sept 08</b> <b>TBD</b>
<b>Marine Corp</b> SASSY (ground)	<b>Jul 07</b>	<b>TBD</b>	<b>TBD</b>
<b>Air Force</b> ▪REMIS (ME) ▪AFEMS (Vehicles/GP) ▪RAMPODS (PODs)	<b>Current</b> <b>Current</b> <b>Current</b>	<b>Aug 07</b> <b>TBD</b> <b>TBD</b>	<b>TBD</b> <b>TBD</b> <b>TBD</b>

# Don't Forget

## Documentation

- It is important that source documentation be retained for audit readiness. Documentation includes original documents and/or hard and electronic copies of original records.
- Documentation should be maintained in a readily available location, during the applicable retention period, to permit the validation of information pertaining to the asset such as the purchase cost, purchase date, and cost of improvements.
- Supporting documentation includes purchase invoices or sales and procurement contracts.



# Human Capital Strategy: Accountable Property Officers

# Background

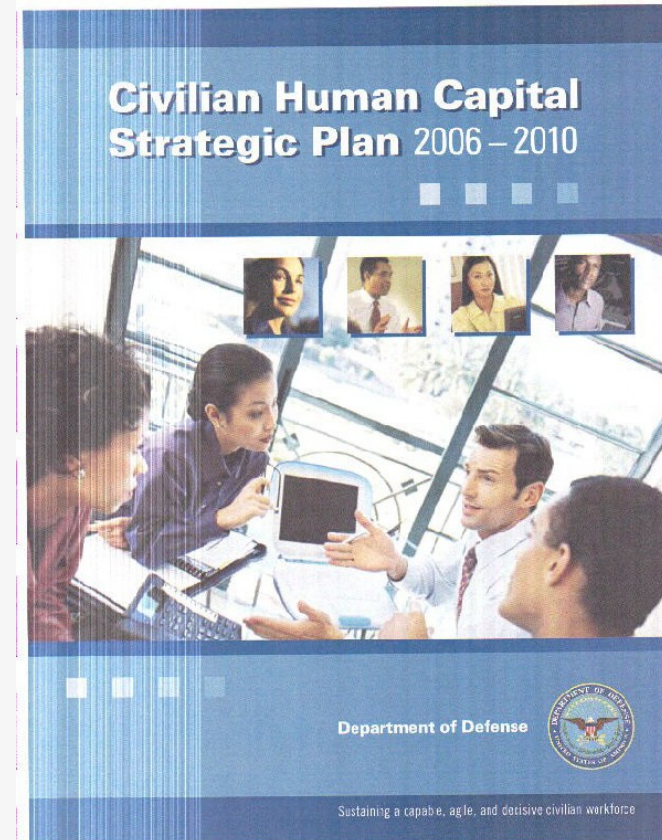
- **President's Management Agenda**
- **Legislation (Nat'l Defense Auth. Act)**
- **Quadrennial Defense Review**
- **National Security Personnel System**
- **DoD Strategic Human Capital Plan**
- **OUSD AT&L Human Capital Plan**

# Background (cont.)

**Section 1122 of 2006  
National  
Defense Authorization Act  
requires a “strategic human  
capital plan” to include:**

- **An assessment of:**
  - skills and competencies needed of the workforce;
  - projected trends of that workforce (retirements, etc.);
  - gap analysis
- **A plan of action for developing and reshaping the civilian employee workforce**

[www.cpms.osd.mil](http://www.cpms.osd.mil)

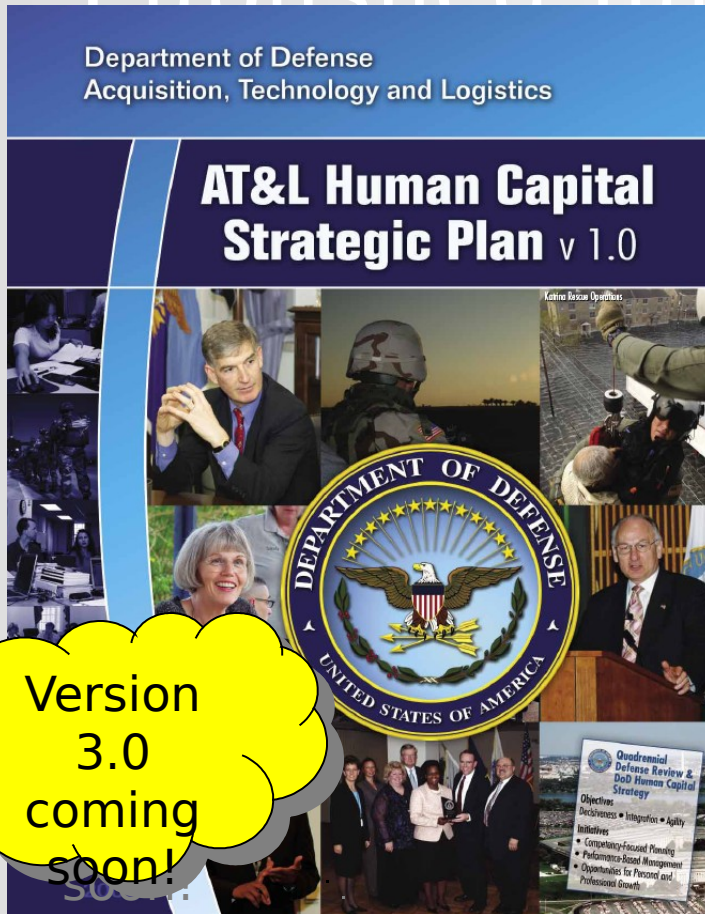


# AT&L Human Capital Strategic Plan

Published June 13, 2006

## GOALS:

1. **Alignment and full integration with overarching DoD Human Capital Plan**
2. **Maintain decentralized execution strategy that recognizes the Components' lead role and responsibility for force planning and workforce management**
3. **Establish a comprehensive, data-driven workforce analysis and decision-making capability**
4. **Provides learning assets at the point of need**
5. **Execute DoD AT&L communication Plan (common message)**



Version  
3.0  
coming  
soon!

# OUSD AT&L Memorandum dated December 6, 2006

- **Director, Acquisition Resources and Analysis, in coordination with the Director, Defense Procurement and Acquisition Policy, and President, Defense Acquisition University shall:**
  - **Develop a strategic human capital plan for Accountable Property Officers**
  - **Identify core competencies for Accountable Property Officers, as appropriate.**
  - **Develop training, education, and experience requirements as required for non-AT&L Workforce segments of the property management workforce**



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000  
DEC 06 2006

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Property Management Workforce

The Secretary of Defense has established a goal for DoD to improve its business management practices. Consistent with that goal, the Department has taken steps to improve the accountability and management of equipment and other accountable property. For example, each Military Department and Agency now has a financial improvement plan that includes requirements for existence, completeness, and valuation of assets. Also, the Defense Contract Management Agency is planning to stand up a property administration division. More needs to be done, however, particularly in the area of personnel resources needed to successfully execute the property management mission.


The property management mission is performed by several segments of the DoD workforce. For example, the DoD-wide Acquisition, Technology and Logistics (AT&L) Workforce includes approximately three-hundred Industrial Property Management Specialists (GS-1103) who administer Government property in the possession of contractors. In addition, outside of the AT&L Workforce, there are a number of Accountable Property Officers (APOs) who manage Government property within the Department, and an unknown number of hand-receipt holders with property custodial duties.

This property management workforce faces several challenges. For example, according to the 2005 Annual Report on the Federal Acquisition Workforce, almost one third of those currently in the GS-1103 series are now eligible for retirement. Moreover, there are no minimum experience and education standards for APOs, and no standardized training requirements for hand-receipt holders.

Through implementation of the initiatives identified in the AT&L Human Capital Strategic Plan, OUSD (AT&L) is aggressively addressing the issues effecting Industrial Property Management Specialists in the AT&L Workforce. We must also address our long-term ability to meet the Department's overall property management mission as it relates to workforce issues outside of the AT&L Workforce. We are developing, along the lines of the attached actions, the first steps needed to augment ongoing initiatives in

tal issues for APOs and hand receipt on.

s, please provide Mr. Tom schel@osd.mil, with the name, phone t who will work with us to complete Mr. Ruckdaschel if you have any appreciate your support in this important


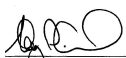
  
Hay D. Assad  
Director, Defense Procurement and Acquisition Policy





# OUSD AT&L Memorandum dated December 6, 2006.

- **Military Departments/DoD Components shall:**
  - **Identify Accountable Property Officers; ensure responsibilities are addressed in job descriptions/performance requirements**
  - **Ensure that Industrial Property and Accountable Property Officer outcomes are tied to DoD goals**
  - **Align Industrial Property Manager and APO resources to the appropriate human capital strategic plan**

 <small>ACQUISITION, TECHNOLOGY AND LOGISTICS</small>	<b>OFFICE OF THE UNDER SECRETARY OF DEFENSE</b> <small>3000 DEFENSE PENTAGON WASHINGTON, DC 20301-3000</small>	DEC 06 2006
 <b>MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS DIRECTORS OF THE DEFENSE AGENCIES</b>  <b>SUBJECT: Property Management Workforce</b>		
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# Today

- **Two Efforts On-Going**

- Acquisition workforce (Industrial Property, GS-1103s)
- Non-acquisition workforce (Accountable Property Officers)

- **GS-1103 nearly completed. Expect final report sometime mid-summer**

- **Accountable Property Officers. Just starting**

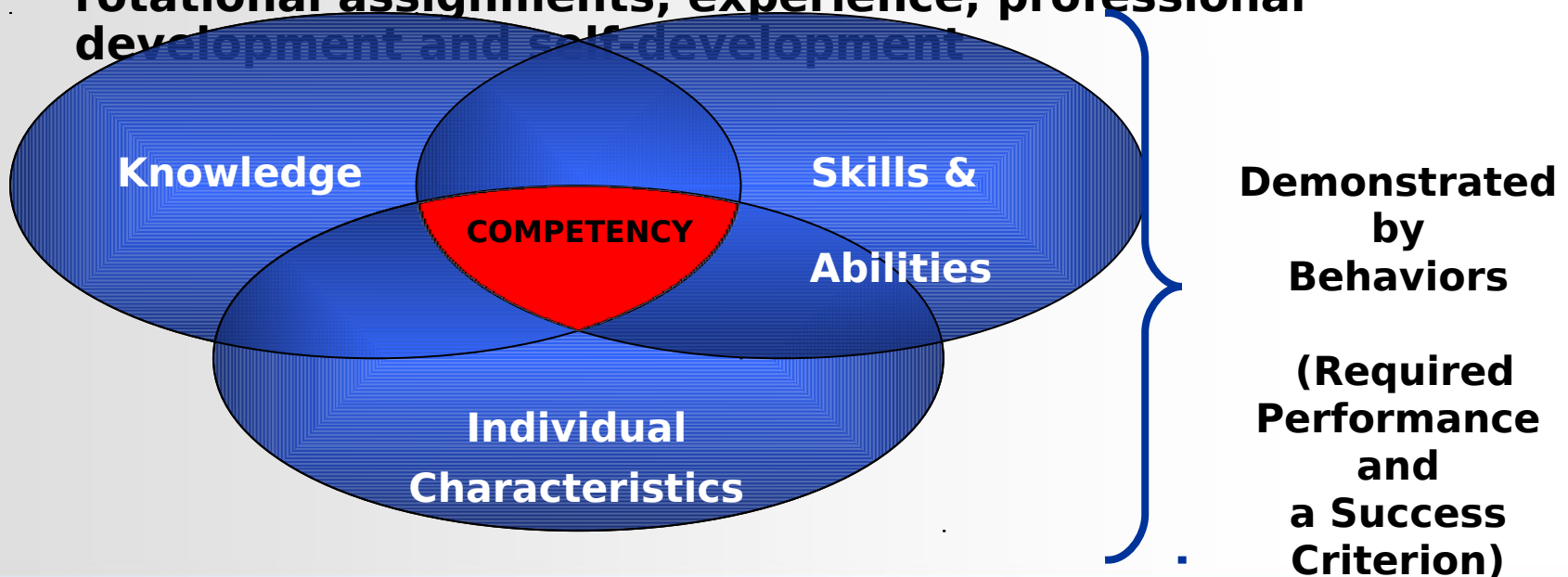
# Observations

- **GS-1103s, Industrial Property Specialists: A part of the Acquisition workforce, yet in many ways isolated**
  - Role is larger and more complex than most realize; need for business acumen is on par with other “contracting” professionals
  - What do they do? They “do” property
  - Training & education are driven by low expectations, e.g., College degrees “preferable” (like most other acquisition positions”)
- **More vulnerable to demographic effects, due to small population (approximately 400 DoD-wide)**



# What is a Competency?

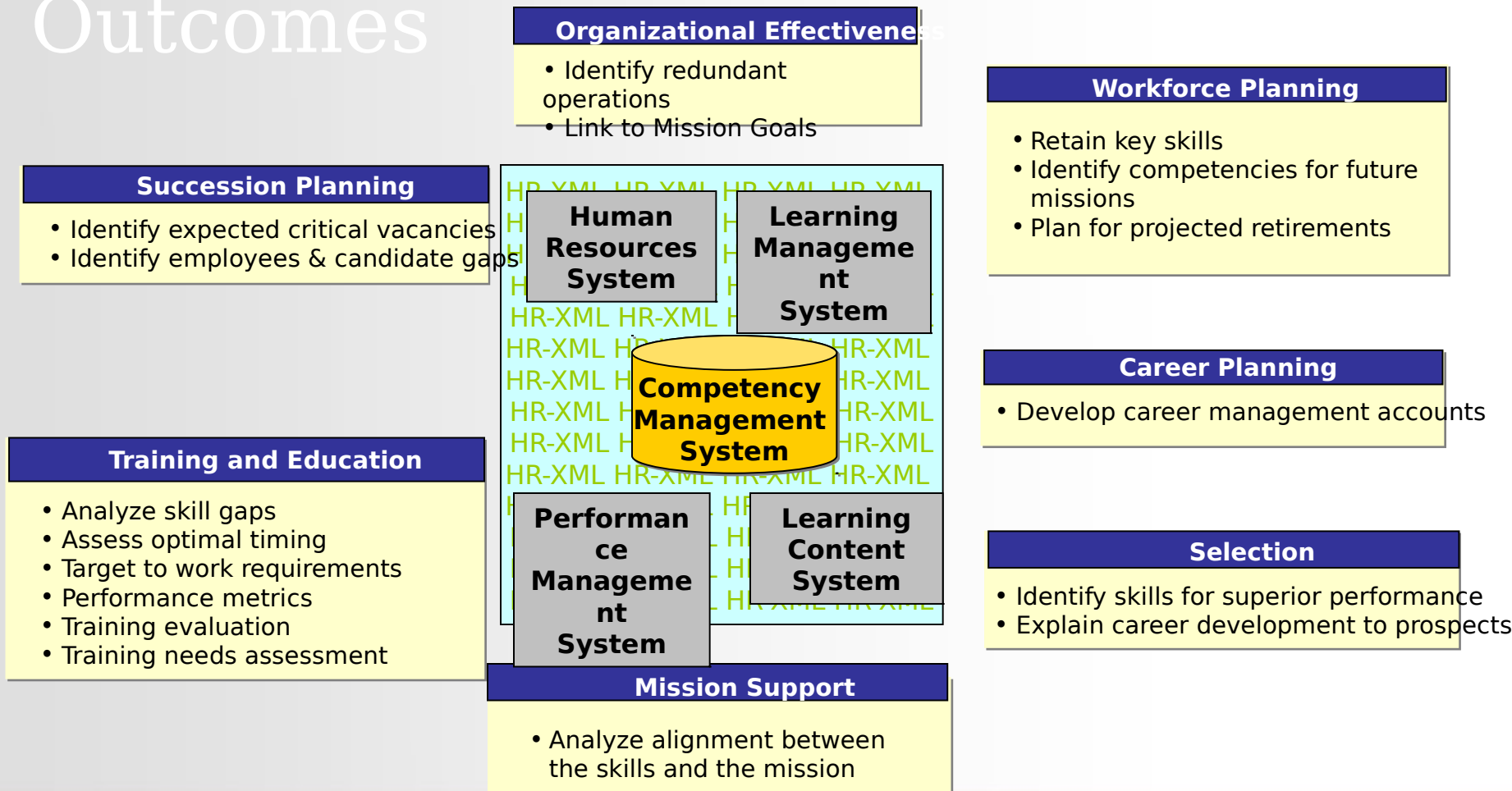
- “ .... an observable, measurable pattern of skills, knowledge, abilities, behaviors & other characteristics that an individual needs to perform work roles or occupational functions successfully.” (OPM definition)
- Developed and attained through education, training, rotational assignments, experience, professional development and self-development



# Why Develop Competencies Now?

- **DoD Acquisition Mission Challenges and Stakeholder Interest Drive Need for Improved Competency Management**
  - **President's Management Agenda - Human Capital, Leverage Technology**
  - **Congressional Concern - Acquisition Outcomes, Human Capital**
  - **Human Capital Planning for DoD AT&L Workforce identified as "High Risk" by GAO**
  - **OPM Human Capital Assessment and Accountability Framework**
  - **QDR and DoD Human Capital Plan**
- **AT&L Human Capital Strategic Plan**
  - Improved Competency management is key outcome
  - HCSP Goal 1 mandates current, standardized functional competencies
  - HCSP Goals 3 and 4 rely on competencies
  - Key enabler for CORE Plus Certification Framework

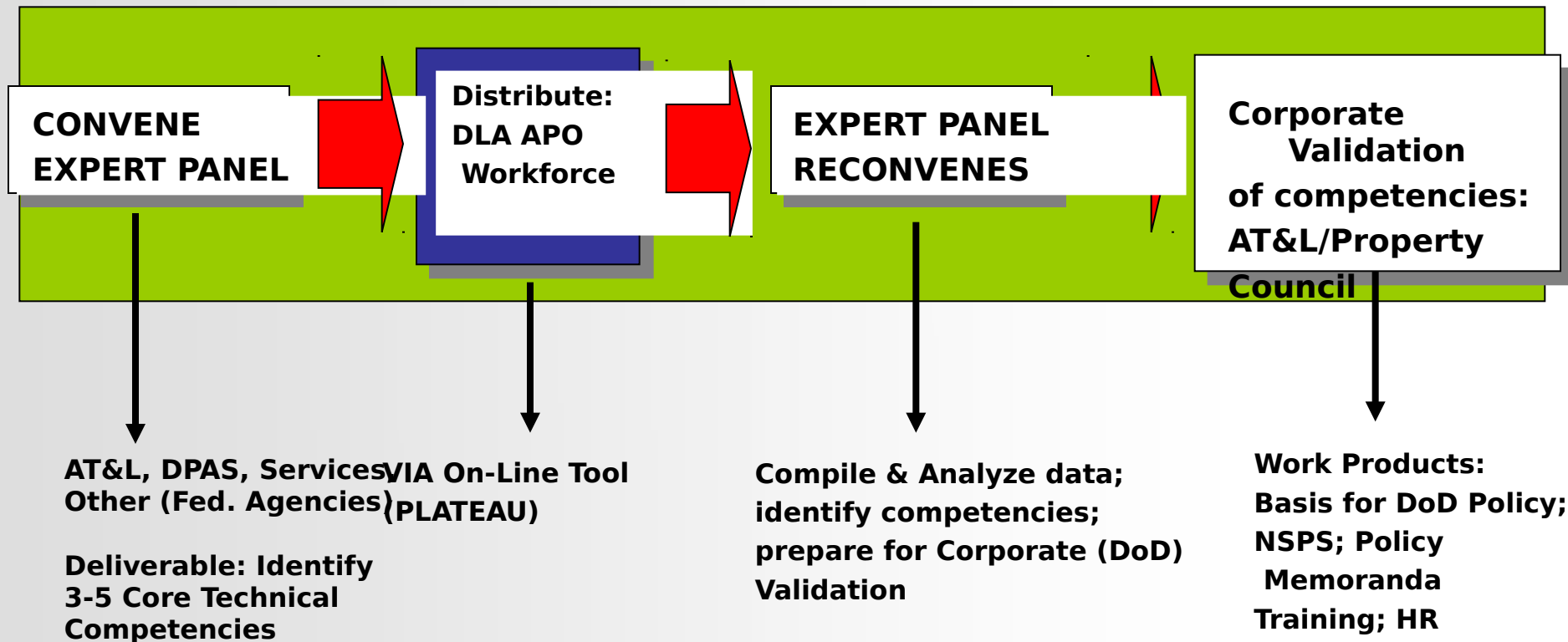
# Competency Management Outcomes



# Core Technical Competency Process Defense Logistics Agency PILOT

[Consistent with Acquisition Workforce Competency Model]

- **Announce: May 9 FIAR Mtg./KICK OFF May 23**
- **Service participation is CRUCIAL!**



May 23 - Jun 30

July 1-July 31

Aug 1 - Aug 31

Aug 31 - Dec 31

# Financial Liability for Property Lost, Damaged, Destroyed or Stolen FMR, Volume 17, Chapter 7

# Loss, Damage, Destruction & Theft

## FMR, Volume 17, Chapter 7

- **Chapter is restructured to reflect the three major types of DoD Property: Equipment, Material (Inventory), and Real Property**
- **Policy language is now consistent with the Department's Accountable Property threshold:**
  - Formal investigation for property valued at \$5,000 or more; classified or sensitive; capital lease property\*;
  - Simple inquiry for other property; formal investigations still permitted if circumstances warrant
- **Also, now included:**
  - New language on losses of monetary assets (cash) valued at \$750.00—consistent with FMR Volume 5, Chapter 6, “Irregularities in Disbursing Accounts” (major loss of funds)
  - New language to accommodate Losses of Government-furnished Real Property and Equipment

\*Consistent with DoDI 5000.64

**Any Questions?**